Test Your Deposit Insurance IQ ANSWERS

1. **False.** The FDIC insures deposits in most but not all banks and savings associations. FDIC-insured institutions must display an official sign at each teller window or teller station. You also can verify whether an institution is FDIC-insured by contacting the FDIC's Division of Compliance and Consumer Affairs, as listed on the previous page, or doing a search of insured institutions at the FDIC's Internet site (www.fdic.gov).

2. True. Individual Retirement Accounts (both "traditional" and "Roth" IRAs) are insured to $100,000 separately from your non-retirement accounts at the same bank. (Note: The deposit insurance rules for retirement accounts and pension savings can be confusing. For example, the rules treat traditional and Roth IRAs differently than employer-sponsored 401(k) retirement plans that may be deposited in the same bank. If all your retirement-related money in the same bank is near or above $100,000, you may want to consult the Division of Compliance and Consumer Affairs.)

3. True. Under the insurance rules, sole proprietorship accounts (unlike corporate or partnership accounts) are added to any personal accounts the owner may have at the same institution. Similarly, if a sole proprietorship is owned jointly by a husband and wife (permissible in some states), the business account would be insured as a joint account (presuming it satisfies the FDIC's requirements for joint accounts).

4. True. Your payable-on-death accounts (also called testamentary, Totten trust or "In Trust For" accounts) are insured separately from your individual or joint accounts at the same institution, but only if certain conditions are met. One of these conditions is that the beneficiaries of the account must be the owner's spouse, children, grandchildren, parents or siblings (called "qualifying beneficiaries"). Parents and siblings were added to this list on April 1, 1999. If this requirement and the other requirements are satisfied, the account will be insured up to $100,000 for each beneficiary. For example, a POD account with three qualifying beneficiaries could be insured up to $300,000 (combined with any other POD accounts held by the account owner for the same beneficiaries). The list of qualifying beneficiaries also includes adopted children, adoptive parents, brothers and sisters through adoption, stepchildren, stepparents, stepbrothers and stepsisters. The list does not include cousins, aunts, uncles, nieces, nephews, friends or in-laws. This means a $300,000 POD account for three non-qualifying beneficiaries would be added to any other individual accounts the owner held at the bank and would be insured to only $100,000 in total

5. False. In the event of a bank merger, the FDIC's rules provide a "grace period" so that any change in insurance coverage is not immediate. Regular checking and savings accounts from each institution are separately insured, as if they were still at separate institutions, for six months after the merger. In general, CDs at the acquired institution remain separately insured until the earliest maturity date after the six-month grace period.

6. True. Under the new insurance rules that went into effect April 1, 1999, each person's shares in all joint accounts at an institution are covered to $100,000 in total. This couple's joint accounts therefore would be insured up to $200,000 (assuming they have no other joint accounts at the same institution). This is simpler and more straightforward than the "old" rules, which many consumers misunderstood.

7. False. Insurance coverage generally is based on how accounts are owned. In this case, the two accounts you have in your name alone would be added together and insured to $100,000 in total, leaving $50,000 uninsured. Your share of any joint accounts at a bank is insured to $100,000 in total (and separately from your individual accounts). Here, the joint account you own with your mother would be insured for up to $200,000 ($100,000 for each person's share), so this account is fully protected.

8. False. FDIC insurance protects only deposits. Products such as mutual funds, annuities, stocks, bonds, life insurance policies and U.S. Treasury securities are not deposits and are not protected by the FDIC. Nondeposit investments are subject to investment risks, including the possible loss of principal, even if you bought them in your bank's lobby or otherwise through an FDIC-insured institution. Although Treasury securities are not insured by the FDIC, they are backed by the full faith and credit of the U.S. government.

9. False. For each $100,000 joint account, your interest would be $50,000. (The interests of the co-owners are presumed equal.) This means your interest in all three joint accounts would be $150,000. But under the FDIC's rules, no one person's insured interest in all joint accounts at the same institution can exceed $100,000. You'd be uninsured in the amount of $50,000.

10. False. An insured institution's main office and all branch offices are considered to be one institution.